



Contact: Connie Jackson, City Manager
Phone: (650) 616-7056
Email: cjackson@sanbruno.ca.gov

Sam Singer, Singer Associates
Office: (415) 227-9700
Email: singer@singersf.com

19 July 2013
For Immediate Release:

Federal Government Audits Embattled CPUC to Determine Compliance in Wake of San Bruno Explosion and Fire

San Francisco—Weeks after City of San Bruno officials raised serious concerns about the ongoing turmoil within the California Public Utilities Commission (CPUC), the U.S. Department of Transportation’s Administrator of the Pipeline and Hazardous Materials Safety Administration (PHMSA) is now challenging the embattled CPUC to demonstrate compliance and prove its ability to carry out pipeline safety in the wake of the Sept. 9, 2010 San Bruno explosion and fire.

In a letter to San Bruno Mayor Jim Ruane this week, PHMSA said it takes San Bruno’s concerns “very seriously” in the aftermath of the Pacific Gas & Electric Company explosion and fire that took eight lives, destroyed 38 homes and damaged scores more. The federal agency tasked with certifying the CPUC as a pipeline safety regulator has not only scheduled an audit of the CPUC this month but also requested immediate response from CPUC president Michael Peevey.

PHMSA warned that if it finds the CPUC not in compliance to “enforce satisfactorily applicable safety standards,” then it may reject the state’s certification or take other appropriate action to achieve enforcement.

“Finally, federal regulators are investigating what we believe to be serious ethical and political conflicts at the CPUC that have rendered this State agency largely unable to perform its duties,”

Ruane said. “We are heartened that the federal government has heard our concerns, and we are hopeful about this first step to improving the State’s ability to regulate pipeline infrastructure and create a new regulatory model for California.”

City officials have long questioned the CPUC’s ability to appropriately regulate -- and penalize -- PG&E for its decades of gross negligence that caused the tragic explosion and fire in San Bruno.

Prompted by ongoing controversies at the CPUC, including the recent reassignment of senior CPUC attorneys investigating the PG&E explosion and fire, City officials in June filed a series of requests with PHMSA, the California Attorney General, the Governor of California and other agencies to investigate the embattled CPUC and make a determination about its ability to carry out pipeline safety under the mandates of the federal Pipeline Safety Act.

San Bruno also renewed its call for the firing of CPUC President Michael Peevey for his failures, ex parte contacts with PG&E and his conflicts of interest in the case as the former head of Edison International and Southern California Edison Company.

Calling the CPUC “on the verge of becoming a national disgrace and hazard to public safety,” Mayor Ruane implored state and federal leaders to investigate the CPUC’s failure to oversee pipeline safety regulations. “We believe lives and the credibility of the State’s regulatory mechanism are at stake,” he said.

Recent revelations of significant turmoil within the CPUC demonstrated that even highly regarded career professionals within the CPUC were fed up with the cozy relationships and conflicts of interest between CPUC’s leadership and PG&E. They also highlighted a myriad of pervasive issues at the CPUC, including the revolving door at the CPUC between PG&E and other regulated utilities, the illegal communications between PG&E and CPUC Commissioners in violation of strict laws against ex parte communications during penalty proceedings and a lack of separation between the CPUC’s investigatory and advisory functions.

San Bruno’s concerns were echoed by U.S. Congresswoman Jackie Speier, who drafted her own letter to PHMSA in which she challenged the federal agency to intervene.

“The CPUC appears to be rife with conflicts of interest between its role as a guardian of public safety, its role as a rate setter, and its role in ensuring the ongoing financial stability of the utility,” said Speier in a June 25, 2013 letter to PHMSA.

In its letter to San Bruno, PHMSA said it would complete the audit and review Peevey’s response to determine whether further actions or proceedings were necessary. It also reminded city officials that the CPUC serves as the principal regulator of intrastate gas pipelines – and is eligible to receive Federal funding for up to 80 percent of costs – only under PHMSA certification, which is reviewed annually.

"If, at any time, PHMSA finds that the CPUC is not in compliance with the requirement to enforce satisfactorily applicable safety standards, then PHMSA may reject the state's certification or take other appropriate action to achieve adequate enforcement," the letter states.

In addition to increased federal oversight, San Bruno has pushed for a number of additional going-forward remedies to ensure systemic regulatory change and has demanded the CPUC direct PG&E to adopt and fund a series of remedial measures. These include \$5 million per year for a "California Pipeline Safety Trust," an Independent Monitor to make sure PG&E follows its own safety plan in the face of possible lax enforcement, and the installation of lifesaving fully Automatic Shutoff Valves.

San Bruno officials said it seems its strong message calling for reform is finally being heard.

"For years, we have advocated for systemic change amid a process jeopardized by conflicts of interest and cozy relationships between the CPUC and PG&E," Ruane said. "On behalf of the citizens of our city and the victims of this horrible tragedy, we have and will continue to fight for additional and ongoing reforms in order to protect the public so that the legacy of the tragedy in San Bruno is that this never happens again, anywhere."